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UNCLAS BANDAR SERI BEGAWAN 000118

SIPDIS

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SENSITIVE

STATE FOR EEB/TPP/ABT/ATP (JSPECK)

E.O. 12958: N/A

TAGS: [EAGR](#) [EAID](#) [ETRD](#) [ECON](#) [PGOV](#) [PREL](#) [BX](#)

SUBJECT: BRUNEI CONSUMERS PARTIALLY INSULATED FROM RICE PRICE
INCREASES

REF: A) STATE 39410 B) BANDAR SERI BEGAWAN 112

11. (SBU) SUMMARY and COMMENT: Government subsidies are helping to shield Brunei consumers from the full effect of increase in the price of rice imported from Thailand. Domestic retail prices for subsidized varieties of rice have not changed despite their trading prices on the world market having more than doubled. The increased cost of subsidies for rice and fuel, along with the weakness of the U.S. dollar in which Brunei's exports of oil and gas are priced, are ameliorating the beneficial effects of higher hydrocarbon prices on the Government of Brunei (GOB) budget and the economy at large. END SUMMARY and COMMENT.

12. (U) Brunei imports about 80 per cent of its food needs annually. Local consumption of rice stood at 31,082 metric tonnes in 2006, with only 3.2 percent produced locally. Rice, as a staple food, is a price-controlled item, heavily subsidized by the government. The GOB subsidizes three types of rice imported from Thailand: white, glutinous, and fragrant. Subsidized commodities like rice are distributed through the government's supply control center, known as the "State Stores." Despite recent increases of rice in the region, in early April the GOB announced that there would be no change in the retail price of rice, and that current rice stocks are more than sufficient for the nation. Prices for non-subsidized varieties of rice, such as basmati, and rice-derived products have increased by approximately one third.

13. (U) According to 2006 statistics, total food & live animal imports totaled US\$278 million, accounting for 14 percent of total imports into the country, the third largest import commodity.

14. (U) Prices for imported food items have increased significantly in recent months. The Consumer Price Index (CPI) of February 2008 showed an increase of 2 to 18 per cent on common food items. The rise in price of cooking oil, wheat and rice flour has created a slight increase in prices for other food staples like bread and noodles. According to news reports, flour imports have been disrupted, due to the short supply regionally. The consumer market has remained stable however, and we have not observed any shortages or other significant impact.

15. (SBU) Although it is not clear if global rising food and community prices was the cause, the Sultan focused on the importance of developing domestic agriculture in Brunei's economic diversification plans in his speech opening this year's Legislative Council session (ref B). US\$76 million was allocated over five years for agricultural development under Brunei's 5-year 9th national development plan beginning 2007.

SKODON